PART A

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PART A

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EUROPEAN COMMUNITY (EC) ECONOMIC AND FINANCE COUNCIL (ECOFIN), 13 JUNE 1983

PO -CH /GH/0094

PART A

See separate covering note

CONFIDENTIAL

1. MR UNWIN
2. CHANCELLOR OF THE EXCHEQUER

FROM: MISS J A EDWARDS
DATE: 10 June 1983

cc as attached list

EC FINANCE COUNCIL : 13 JUNE

This brief has been prepared on the assumption that you will be attending this half-day Council in Luxembourg on Monday 13 June, accompanied by Mr Unwin, Mr Byatt (Chairman of the Economic Policy Committee), Mr Hall and Mr Kerr. The Council is scheduled to begin at 11 am and end with a Ministerial lunch. Arrangements have been made for you and your party to fly out on an RAF jet on Monday morning and for you to return to London during the afternoon.

Agenda

2. The agenda is fairly thin:

i. Insurance Services Directive
ii. Preparation for European Council: - Commission's paper on the Economic and Social situation
ii.(a) Williamsburg - Presidency Report on economic and political aspects.
iii. New Community Instrument (NCI) III
iv. EMS interest subsidies

Full briefing on all items is attached.

3. A short background note is enclosed before the main briefs explaining the function of ECOFIN Councils.

Insurance Services Directive

4. The Directive is intended to liberalise trade in insurance services (other than life insurance) within the Community. The UK is pressing for agreement to a truly liberalising directive but some compromises may be necessary. The Department of Trade have prepared the attached brief (Brief 1) and Mr Muir and Mrs Helps will accompany you to Luxembourg and help steer you through the brief.

Preparation for European Council

5. We understand that discussion under this item will concentrate on the Commission's paper on the Economic and Social Situation (COM(83)370 final). Unfortunately this paper is only available in French at the moment. It is by no means certain that an English version will be available at the meeting. A copy of the French version together with a copy of the Treasury brief on the economic and social situation that has been prepared for the European Council is attached (as brief 2). A covering note has also been included which comments on the specific issues raised in the Commission's Report.

Williamsburg : Presidency Report on economic and political aspects

6. This has been added as an item for discussion in restricted session following COREPER (Ambassadors) meeting on 9 June when the Danish and Dutch said that the Community should be involved in follow-up to Williamsburg. It is not certain how the Presidency will handle it but it is likely that an opportunity will be provided for discussing general issues raised at the Summit and the general procedure for dealing with economic summits. This discussion may be taken over lunch. A short note covering the possible issues that the Presidency will report on is attached.

New Community Instrument (NCI) III

7. Ministers will need to agree the size of the first tranche under this facility. The Commission proposes an initial tranche of 1½ billion ecus. The brief attached suggests a cautious line on this in view of the recently agreed 4 billion ecu loan to France under the Community Borrowing and Lending Instrument, as the Community should not risk its credit standing by making too many calls on the capital markets. We would accordingly prefer an initial tranche of 1 billion ecus but we might perhaps be prepared to join a consensus.

EMS interest subsidies

8. The Commission has put forward a proposal to extend the Regulation enabling payment of EMS interest subsidies to Italy and Ireland for a further two years, to 1985. The proposal has only just been published so there have not been clear reactions to it. The European Parliament opinion is still awaited. We should support the suggestion of urgent consideration by COREPER and/or the Monetary

Committee before being put to another ECOFIN Council. Brief 4 covers the proposal, background and recommended line to take.

EC Budget and CAP expenditure

9. These two subjects are likely to be in the forefront of all Ministers' minds on Monday. The Foreign Affairs Council (which will be taking place simultaneously) and the European Council at the end of the week (17-19 June) will be seeking agreement on the budget problem and also on control of CAP expenditure. It is possible that you may find an opportunity to discuss these topics with his colleagues, and short briefing notes are attached accordingly on both.

Jeanette Edwards

J A EDWARDS (MISS)

CONFIDENTIAL

From: J B UNWIN
10 June 1983

PRINCIPAL PRIVATE SECRETARY

cc Mr Middleton
Mr Littler
Mrs Hedley-Miller
Miss Court
Mr Edwards
Miss Edwards

ECOFIN COUNCIL: 13 JUNE

This Council now seems virtually certain to take place. The French Treasury have just confirmed that M Delors will attend (and hopes to have the opportunity of congratulating the new UK Chancellor).

2. Although the agenda is in fact pretty thin, I fear the briefing, which I attach, is voluminous, mainly due to the insurance services directive. On this, I recommend the Chancellor should first read the two page covering note at Brief 1 (which we have done ourselves) and then (for a new Chancellor) the background note at Annex 1 of the Department of Trade briefing. Given the complexities, and the trouble this directive has now run into, I cannot believe that ECOFIN will get into a great deal of detailed discussion and I should frankly be very surprised if this meeting advances the subject much further. But we shall need to discuss tactics on the outward flight with Mr Tom Muir, the responsible Under Secretary at the Department of Trade.

3. The other items are fairly straightforward and should not take too long (I hope that we can succeed in confining the first tranche of the New Community Instrument to 1 billion ecus, but we should not die in the last ditch if there is a consensus otherwise on the Commission proposal for 1½ billion ecus). The most important session is likely to be the Ministerial lunch, which is bound at some stage to discuss the budget problem and Stuttgart (on which substantive discussion should be taking place separately on Monday at the Foreign Affairs Council). Brief notes on points to make are attached at the end of the briefing, but we should obviously discuss this with the Chancellor on the flight out.

4. The attached briefing has been prepared for a <u>new</u> Chancellor. If Sir Geoffrey Howe continues in post, you will want to thin it out by dispensing with the ECOFIN background note and the personality notes attached separately with the briefing - possibly also the background note on the insurance directive.

5. As discussed with you I assume that the new Chancellor will not on any scenario stay on after lunch to attend the Governors' meeting of the European Investment Bank.

Mrs Hedley-Miller or I will stand in and M Delors has agreed to serve, if necessary, as proxy voter. But should the Chancellor in the event decide to stay on, I shall have a handy EIB Governor's briefing kit (mercifully short) with me - I am not burdening you with it now.

J B UNWIN

10/6/83

EC FINANCE COUNCIL ; 13 JUNE

INDEX OF BRIEFS

OTHER BRIEFS

(a) Brief on Community Budget problem
(b) Brief on future financing of Community : the CAP

Personality Notes in separate folder at the back.

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THE ECONOMIC AND FINANCE COUNCIL (ECOFIN)

The Council of Ministers is in principle indivisible, but it meets in different guises according to the topics that are to be discussed. The Council Decision of February 1974 on convergence of economic policies lays down that there should be a meeting of the Council devoted to economic and monetary matters once a month. This is the Economic and Finance Council : the requirement to meet once a month is honoured in principle but not always in practice (the Council never meets in August and seldom in January).

2. ECOFIN met 7 times in 1982. Meetings are usually in Brussels, but in April, June and October the Council meets in Luxembourg. The ECOFIN meetings are usually of fairly short duration. Regular agenda items include discussion of the economic and social situation and preparation for European Council (Heads of Government) meetings. Other specific items which have featured on recent agendas include the export credit consensus, the Insurance Services Directive and Community loan policies.

3. The Finance Ministers of each member state attend ECOFIN meetings. The Chancellor normally represents the UK, and he is usually accompanied by the Overseas Finance Permanent Secretary or Deputy Secretary. The UK Permanent representative (Sir Michael Butler) or his deputy also normally attends. There may be preparatory discussion of less sensitive issues in COREPER (ie Ambassadors to the Community) or in the Monetary Committee, the Co-ordinating Group or the Economic Policy Committee prior to an ECOFIN meeting.

4. Any individual ECOFIN meeting may not appear to achieve very much, but the habit of continuous meeting and discussion with other Finance Ministers, with shared or contrasting views on problems and approaches to solutions, builds up a valuable corpus of experience.

5. It has become traditional for an ECOFIN lunch to precede or follow the meeting itself; these lunches provide a useful opportunity for informal discussion of more sensitive matters between Finance Ministers.

10/6/83

BRIEF 1

INSURANCE SERVICES DIRECTIVE

Purpose of the Directive

The Directive is intended to liberalise trade in insurance services (other than life insurance) within the Community. At present the UK has virtually no restrictions on imports of insurance services, but most other member states do. UK insurers therefore have to set up establishments in other countries to do business there. This is inconvenient particulary for Lloyds, and expensive.

The papers under discussion are concerned with two principles -

(i) the definition of establishment business;and

(ii) the degree of control exercised by a member state over policy conditions.

There are also five questions on which some delegations have fundamental reservations. It is not the Presidency's intention to discuss these, but they are covered in the brief in case they come up in discussion.

UK objectives

The UK wants agreement to a truly liberalising directive. Some compromises will be necessary, but a restrictive directive would be worse than none at all. In general only the Dutch and the Commission support us.

Line to take

General

Appreciate Presidency's efforts to make progress. Insurance is one of the major service industries. We regard it as important to implement freedom of services which is a right under the founding Treaty.

The European Council has taken an interest in liberalising insurance services and may well ask for progress reports as in the past. Hope the Greek Presidency will be able to take the work forward.

Points arising on COREPER report

Question a on page 7. We consider the offering of a contract to be a brokerage activity and could not accept this as an establishment activity.

Question b page 7. We could not accept the settlement of claims as establishment activities. These are carried out by independent agents or loss adjusters on behalf of insurers. But it is the insurers themselves who retain the ultimate liability for meeting claims whatever the delegation given to claims settlement agents.

We could accept that the "decision" is relevant for the settlement of all claims.

Principles a and b on page 10

Recognise the Presidency's proposal for a simplied procedure goes a long way to meeting our concern that there should be no control over policy conditions for industrial, commercial and professional (ICP) risks. We are prepared to accept the proposal in principle - although this represents a major change of view on our part.

This is based on the understanding that the basic elements of the proposal are maintained i.e. member states/powers to legislate on policy conditions must be limited (principle b). Insurers should be free to offer what policies they like. Notification should not be required for every individual contract or for transport risks.

Question a on page 12

Reluctant to amend an article already agreed. The agreed text is based on a delicate compromise and it is dangerous to unstitch it. We do not exclude movement in directions suggested by Presidency. But our flexibility must be reciprocated elsewhere.

Further points

Further detailed briefing is below. Mr Muir and Mrs Helps from the Department of Trade will be in Luxembourg to support you and to steer through the documents which are necessarily long and complex.

10/6/83

CONFIDENTIAL

FINANCE COUNCIL: 13 JUNE 1983
DRAFT NON-LIFE INSURANCE SERVICES DIRECTIVE

References

A Report from COREPER to the Council (7480/83 SURE 23)
B Text of Directive (11385/82, SURE 38)

Annexes to Brief

Background - Annex 1
Description of Articles of Directive - Annex 2

Purpose of discussion

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1. The wider background is at Annex 1. Paras 1-5 set out the immediate background to the Council's discussion. The German Presidency has put forward a "packet" of proposals to try to resolve three of the outstanding problems on the Directive. Two are major and long-standing points of disagreement. One of these is the delimitation between establishment and services business. The Presidency has proposed a definition of establishment business, that is those activities that fall to be supervised under the Non-Life Insurance Establishment Directive (the First Co-ordination Directive). The other point is the degree of control that the Member State, where the service is being provided, should exercise over the policy conditions under which Industrial, Commercial and Professional (ICP) risks are written on a services basis. The Presidency has proposed a "simplified" notification procedure for policy conditions for such risks. Both delimitation and the question of control over the conditions for ICP risks have been discussed at previous Councils wihout it being possible to reach agreement, although there was a measure of agreement that there should be some relaxation for "large" risks. (There is still disagreement on what exactly should be included in the category of risks that are to be the subject of the simplified procedure, see paragraph below. Since we want this procedure to apply to ICP risks, we resolutely refer to them as such).

2. The third component of the Presidency "packet" is a proposal to change an Article already agreed providing for "sanctions" against an undertaking writing services business in a Member State that breaches the laws and regulations in force in that State.

3. The Presidency has proposed texts on all three points, but none are being submitted to the Council. This is because the Presidency considers that it would first be preferable to try to resolve disagreements on points of principle that have arisen during discussion of the texts in COREPER. The Council has therefore been asked to decide on these points of principle so as to give guidance to COREPER in its further work on these issues.

4. The Report also mentions five questions on which some delegations have fundamental reservations and on which eventual solutions will be necessary if a Directive is to be agreed. However, it is not the Presidency's intention that the Council should discuss these questions; they have been referred to only by way of record and the Report states specifically that anything that might be agreed in regard to the three problems which are the subject of the Presidency proposals would be agreed "without prejudice" to Member States positions on the five questions mentioned. Notes on these questions are in paragraphs 26-28 below, in case they come up in spite of the Presidency's intention to keep them out of the discussion.

DELIMITATION BETWEEN ESTABLISHMENT AND SERVICES BUSINESS

Purpose of Discussion

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5. The general proposition is that there is need to define in the Directive the boundary between establishment and services business, so that it is clear when an undertaking is carrying on insurance business in another Member State in a manner that requires it to seek authorisation there under the First Co-ordination Directive, and when it is doing so on a services basis, when it will be subject only to the much less rigorous requirements of the Services Directive. The First Co-ordination Directive says that where undertakings want to carry on direct insurance business through a branch or agency in another Member State, then they must apply for authorisation there. There is no definition in the First Directive of what constitutes the carrying on of direct insurance business and no interpretation of "agency or branch". Because of this there has been no harmonisation between Member States on the interpretation of these concepts, and there is therefore a "grey area" between what constitutes establishment and services business. Many Member States are concerned that the absence of any definition of either establishment or services business in the Services Directive would lead to abuse, that is insurance undertakings would be able to profit from the "grey area" by ostensibly doing services business, which in fact should be establishment business.

6. It was decided at an early stage that it would not be possible to frame a definition of services business, and debate has therefore focussed on a definition of establishment business. There have been innumerable proposals on which no agreement has been reached. This is because the "restrictionists", particularly Germany, France and Italy, have wanted to define establishment very widely and to include activities, which we would regard as activities purely ancillary to the carrying on of insurance business. There is an argument for not trying to agree definitions but that would leave restrictionist Member States free to interpret establishment very widely.

And there is little attraction for our insurers in a Directive that might leave them to fight an appreciable number of cases through the courts to decide whether they were writing services or establishment business.

7. Article 2d. of the current text of the Directive (reference B) attempts to define establishment business by defining "agency or branch". The Presidency proposal is to do away with this definition and to replace it bya new Article (Article 3a) that would amend the First Co-ordination Directive by inserting in it a definition of what constitutes establishment requiring authorisation under that Directive. The original Presidency proposal was for a definition purely by activities carried out permanently. But the Council Legal Services were unhappy with a pure "activities" approach on the grounds that it abandoned the "agency and branch" concept already enshrined in the First Directive. Moreover, decisions by the European Court had established that at least some physical presence was necessary for an establishment activity under the Treaty. With some reluctance, the Presidency has amended its proposals to take this into account, by tying the pursuit of the activities either to natural or legal persons established in the State of the provision of services or to persons travelling regularly into that State and who have a local centre of activities there. The activities of such persons are to be regarded as equivalent to, or considered as, opening an agency or branch within the meaning of the First Directive.

8. Since its first proposal, the Presidency has put forward a considerable number of new texts, all replete with square brackets, and this has made discussion both difficult and confused. Following the intervention by the Legal Services, debate has been not only about the activities that should constitute establishment activities but also about the persons who should exercise it. However, provided the definition of activities is right the question of the persons is not so important. And it is on the activities that the Report (reference A) concentrates.

9. The current text proposed by the Presidency (which does not form part of the Report) suggests a variety of "activities" that might be included in the proposed new Article 3b. One (not mentioned in the Report) is "conclude or terminate" contracts, which is broadly acceptable to Member States; including us, provided that there is no misunderstanding about the meaning of "conclude". From recent discussion in COREPER and indeed from the Report itself, it seems that some delegations at least interpret "conclude" as those operations leading up to, but not including, the final signature or signatures required to complete the contract. This is not, of course, what we mean by the conclusion of a contract, that is the final agreement of the parties to the contract including all the necessary signatures and completion of formalities to make the contract effective. It is crucial that there should be no misunderstanding on this point if we are to accept "conclude or terminate". As to "terminate" we doubt whether this is a particularly sensible definition of an insurance activity, since it seems extremely unlikely that there are insurance undertakings that carry out only the activity of terminating contracts. But we think it does no harm, since in practice it would only be the insurance undertaking itself that would have the power to terminate contracts.

10. The Report does not ask for the Council's views on "conclude or terminate", but it does ask for views on the inclusion of two activities as establishment activities. The questions are whether the offer of contracts and the settlement of claims should constitute establishment activities when exercised permanently by an undertaking in a Member State.

11. The "offering" of contracts is quite clearly what brokers do and is not an activity that should require authorisation. We have support in this view from Belgium, Denmark, Ireland, the Netherlands, and the Commission. France and Greece consider that "offering" should be an establishing activity. The others could live with a compromise suggested by Italy, under which "offer" would be linked to "conclude" (but "conclude" only

in the sense of all the preparations leading up to the final signature(s) and agreement of both parties to the contract). Again, these are activities carried out by brokers as is clear from the definition of such activities in a Council Directive on Insurance Intermediaries adopted in 1977.

12. As to "claims settlement" the Report says that the majority of delegations thought that it should not be claims settlement as such but the decision on the settlement of claims that should be the establishment activity, a few of these delegations (which included us) supported a Commission suggestion that it should be the decision to settle all claims. (It is only the insurance undertaking itself or a branch or agency thereof which would settle all claims). Germany could accept 'decision on the settlement of claims' but only for industrial and commercial and transport risks. The Council Legal Services have expressed doubts (which we share) about the possibility of making a distinction in terms of types of risks for the purposes of deciding whether something is an establishment activity. Either claims settlement is an establishment activity or it is not.

13. "Claims settlement" covers both the activities of paying claims and of "adjusting" them, that is advising on the extent of the insurer's liability in respect of a claim under an insurance contract. Both activities have been carried out for very many years by independent agents or professionals on behalf of insurance undertakings in countries where such undertakings have no establishment. The practice originated in the marine insurance field (including cargo insurance) where it is clearly necessary for insurers to make sure that their policyholders abroad can get immediate help with their claims. More recently, insurers offering motor, personal accident, and travel policies have increasingly appointed agents in other countries to help their policyholders with claims. This is a well established commercial practice, by no means confined to UK insurers, and is an important service that insurers provide for their customers.

Claims settlement agents are usually authorised to pay routine claims up to a specified limit, they must refer other claims to the insurer. And it should go without saying that the well-established professions of independent loss adjusters (or "average adjusters" in marine insurance), who advise on the extent of insurance companies' liabilities, should go on being able to do so, without it being necessary for insurance undertakings who use their services in a Member State to have to seek authorisation there.

UK Objectives

14. We need to resist any attempt to cast the net of establishment activities so wide that in effect there would be little "services business" left. This would impose restrictions that do not now exist on the operations of brokers and claims settlement agents, and make it extremely difficult for insurers to do services business. The effective operation of the Community insurance market would be considerably reduced. There would also be important repercussions for our own domestic law. We do not, and would not want, to extend our supervision of insurers, ie insurance undertakings, to ancillary activities like brokers, claims settlement agents or loss adjusters. In any case, such supervision, with all that it entails in the way of authorisation procedure, and financial requirements is just not appropriate to, or necessary for, the activities of these people. While there will always be a few cases of doubt about whether an undertaking is carrying on activities for which it should be supervised under our supervisory legislation, our law gives us enough to enable us to extend our supervision to those undertakings which are in fact carrying on insurance business.

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Points to Make

DELIMITATION BETWEEN ESTABLISHMENT AND SERVICES BUSINESS

15. i) Have to remember fundamental purpose of what we are doing. Insurance supervision is concerned with ensuring that insurers can meet claims. Not part of this central concern for the interests of policyholders to bring into the net the activities of brokers, claims settlement agents and loss adjusters. This would run counter to well-established commercial practices, severely reduce insurers' ability to write services business and be to the detriment of policyholders. Necessary to prevent abuses, but important not to prevent the effective operation of the insurance market.

ii) On question a./ we consider the "offering" of a contract to be a brokerage activity and could not accept this as an establishment activity. Similarly, we should regard "offer and conclude" - in the sense explained in the Report - as a brokerage activity, as is clear from the Intermediaries Directive.

iii) On question b. we could not accept the settlement of claims (or the decision on the settlement of claims) as establishment activities. Both are now carried out by independent agents or loss adjusters on behalf of insurers, who nevertheless retain the ultimate liability for meeting claims, whether or not a claims settlement agent has a delegated authority to pay certain claims. We could accept "decision on the settlement of all claims".

iv) /if raised/ We are opposed to any definition that would make "claims settlement" an establishment activity if exercised in respect of certain risks only, or in respect of claims payments over a certain amount. This is not a possible solution. Either an activity is an establishment activity or it is not.

v) /if an opportunity arises/ Any definition should be as simple as possible. Complicated texts with elaborate explanations only confuse matters. And if a definition is to include a reference to the Intermediaries Directive, then a single reference without glosses on it should be quite sufficient.

SUPERVISION OF INDUSTRIAL AND COMMERCIAL RISKS

Purpose of discussion

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16. The Presidency proposal is one that we discussed with them earlier this year bilaterally, and is based on proposals emerging from discussions between our and the German insurance industries. The proposal is that Member States should not be allowed prior approval of policy conditions for industrial and commercial risks but only the option to require their systematic notification. Undertakings would be able to start writing services business as soon as they had notified their policy conditions. In the interests of "market transparency" Member States would be able to retain the power to regulate the policy conditions, that is they would be able to set national "standards" for such conditions, so that policyholders could compare these with the conditions offered by non-established insurers. However, the power to regulate would be limited to certain fundamental aspects and undertakings could depart from the "national" conditions, in particular from the extent of cover given by policies. There would be provision for the policyholder to be informed about these departures. The notification procedure would apply only to the standard general policy conditions and not to those for individually negotiated (or "tailored" contracts). Policy conditions for transport risks would be excluded from the notification procedure. The limitation of Member State's powers to legislate on general policy conditions for ICP risks would affect only their insurance supervisory legislation. Their freedom to legislate in other areas eg insurance contract law would remain unaffected.

17. The paper asks for the views of the Council on the application of the "simplified" procedure to industrial and commercial risks and on the proposed limitation of Member States' powers to legislate on the policy conditions for such risks. Apart from Greece and Ireland there is a considerable degree of agreement on the "simplified" procedure and everyone has agreed to the limitation proposal in principle. Although the present limitation proposal is complicated, we could live with it.

However, France (and Belgium) have raised objection to the form of limitation proposed, on the grounds that this applies to "general policy conditions" and "insurance supervisory law", which have different meanings in different Member States. The German proposal is based on the German system under which policy conditions that are to be used by undertakings are prescribed in insurance supervisory law, but there are other areas of law, particularly insurance contract law, which affect policy conditions. The French maintain that they cannot sort out their insurance supervisory law from all the other laws that apply to insurance contracts. We do not, of course, prescribe policy conditions but we see no particular problem in distinguishing between insurance supervisory law, that is that administered by the supervisory authority, and contract law. We do not really understand the French difficulties. They may be genuine, but they may equally be an excuse to try to undermine the notification proposal. It was at our insistence that the limitation proposal was put in in the first place, because it contains some of the essential elements of the notification proposal we discussed earlier with the Germans. The Germans had doubts. They said that their detailed system they were proposing to introduce in respect of ICP policy conditions need not necessarily be imposed on other Member States by the Directive. In fact, it was only through the good offices of the Commission that a "limitation" Article was drafted. The Commission have now offered their assistance to see whether the "limitation" Article can be re-drafted to meet the French difficulty.

18. Apart from the French, everyone is agreed that there should be no notification of transport risks, in which we should like to include aircraft liability. There seems no reason why this particular transport risk should be excluded.

UK objectives

19. We want a liberal regime for ICP risks. We have always been opposed to requirements for prior approval or notification of ICP risks because we do not consider that ICP policyholders

need protection. And other countries' demands for such control undoubtedly stem largely from a wish to protect their markets. We agreed in principle to the Presidency proposal only after considerable hesitation, and our agreement represents a major concession on our part. A limitation in the Directive on Member States' powers to regulate general policy conditions was one of the conditions on which we gave our agreement. It is essential if Member States are to be prevented from turning a notification system into an approval system in all but name. In view of the "technical" difficulties raised by the French, the Presidency wanted to abandon the "limitation" Article and replace it by a statement of intent in the Council minutes. But we, and the Dutch, said that that was not good enough.

20. Provided that there is a limitation Article and the other essentials of the proposal are maintained - freedom to depart from any national standards of policy cover and the exclusion of policy conditions for transport risks and for individually negotiated contracts from notification, we could, subject to satisfactory agreement on one or two other points, agree the details of the Presidency proposal. (This is without prejudice to our view that compulsory insurance and professional risks should also be covered by the "simple" procedure and to our reservation on the financial "threshold" definition of ICP risks in the Directive, see paragraphs 27, 28, 29 below).

CONFIDENTIAL

SUPERVISION OF INDUSTRIAL AND COMMERCIAL RISKS **(NOTIFICATION)**

Points to Make

21. i) No need to protect industrial, commercial or professional policyholders, would be to benefit of these policyholders if they had freedom of choice in placing their insurance. Flexibility and innovation is essential in this type of insurance. This would be severely impeded by control of the conditions under which it is written.

Question a page 10 of Council document (Reference A).

ii) Appreciate Presidency's efforts to make progress in this area. Recognise that Presidency's proposal for a "simplified" procedure goes a long way to meeting our long-standing concern that there should be no controls over policy conditions for industrial, commercial and professional risks. This is why we are prepared to accept the proposal in principle - although this represents a major change of view on our part. But agreement is based on understanding that the basic elements of the proposal are maintained - limitation on Member States' powers to legislate on policy conditions, insurers should be free to offer policies that do not provide the same cover as that prescribed by any national standard for such policies, that notification should not be required for conditions for individually negotiated contracts or for transport risks. /If necessary - remind the Council that all this is without prejudice to our view that professional risks and compulsory insurance should be included in the "simplified" procedure and of our

reservation on the present financial "threshold" definition of ICP risks.7

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iii) Consider essential the inclusion in the Directive of a provision limiting Member States' rights to legislate on policy conditions. Without it, restrictions could be imposed that could nullify the freedom granted under the proposed "simplified" procedure. Appreciate that some Member States may see technical difficulties in proposal. But we do not fully understand these. Perhaps France could explain? We see no particular difficulties with current "limitation" proposals. But prepared to consider an alternative proposal in the directive /NB we should be very cautious about suggestions for any entry in the Council minutes instead7 that would achieve the same aim.

/iv) If France tries to get into technicalities to side-track discussion eg on matters where Member States should keep full freedom to legislate7. Precise nature of "limitation" provision raises complex technical problems. Best left to COREPER and experts for present.

SANCTIONS

Purpose of discussion

pp 11-12 22. The directive makes provision (Article 16) for the supervisory authorities of Member States to take action against undertakings which do not comply with the legal rules in force in that State. The supervisory authority can first ask the undertaking to stop its action. If this has no effect, the authority can ask the supervisory authority of the State where the undertaking is established to take action. If this is unsuccessful, then the Member State where the undertaking is writing services business can stop it from doing so. This last step is the only one that the Member State can take itself. The Presidency considers that the Member State should be able to intervene in a less draconian way as a first step, and that such a power is particularly necessary if prior approval of policy conditions for ICP risks is to be abandoned.

23. The Presidency wants to amend Article 16 to give Member States additional power to prevent further irregularities. This is on the understanding that Member States' powers to deal with irregularities committed on their own territories remain unchanged. (The Presidency also wants to include a provision under which Member States are required to ensure that undertakings on their territories receive any notices required as part of the new intervention proposal). Because Article 16 has already been agreed by Council, we and a number of other delegations are reluctant to amend it.

UK objective

24. We have always thought that it should be for the Member State of establishment to deal with any breaches and agreed to Article 16 as a compromise. Since we have conceded the principle of some action by the Member State of provision of services, we see no objection at present to the Presidency proposal. But as a matter of tactics, we should not agree until at least the question of notification has been satisfactorily resolved.

SANCTIONS

Point to make **Question on page 12 of Council document (Reference A)**

25. Reluctant to amend an Article that has already been agreed and represents a delicate compromise. Do not exclude movement in direction suggested by Presidency. But our flexibility must be reciprocated elsewhere.

FUNDAMENTAL RESERVATIONS ON DIRECTIVE

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26. When putting forward their proposal for a "simplified" procedure for ICP risks, the Presidency made this conditional on acceptance of a 1980 compromise proposal on choice of law of the contract and of the financial "thresholds" definition of ICP risks now in the Directive. But there has since been only very cursory discussion on these points. The Presidency are obviously prepared to leave these points over for the moment.

Freedom to choose law of contract

26. A. It is very important that the Directive should give maximum freedom of choice of law, particularly for ICP risks. The less freedom, the more restrictive the Directive. The French want no freedom of choice of law. The Danes want maximum freedom. So do we, but we realise that this is unrealistic. We could therefore agree in principle to a compromise proposal put forward in 1980 under which there would be freedom of choice of law for transport risks and "multinational" risks (insurance risks not situated in the same Member State as the head office of the policyholder, or ICP risks in several Member States).

Definition of ICP risks

Inclusion of professional risks

27. A professional policyholder is just as capable as a trader or industrialist of choosing the insurance policy that suits him best. Lawyers, doctors, engineers, accountants make their living by exercising skilled judgment, and have access to professional advice. There is no reason to deprive professional people of freedom to be granted to traders or industrialists, just because they have chosen to exercise a different form of economic activity.

Thresholds

28. We consider a qualitative definition ie by type of policyholder to be sufficient and have a reservation of principle on quantitative criteria ie "thresholds". The present criteria in the Directive, which are in terms of the insured's property and turnover, are too high and would be extremely difficult to apply. We remain sceptical about the practicability of any quantitative criteria. But we realise that the definition of ICP risks needs to be discussed, and we have never refused to do so.

/NOT TO BE USED:- There will in the end be a need for criteria to define ICP risks. The industry is strongly opposed to "thresholds". While there are formidable practical difficulties in any quantitative criteria, the industry would not rule them out if that was the only problem holding up acceptance of an otherwise acceptable directive. But it is too early for the UK to make any move on "thresholds".7

Application of "simplified" procedure to compulsory insurances

29. We see no reason why compulsory insurances should be excluded. Undertakings writing such insurances would naturally have to comply with the appropriate national legislation. But there is no problem about this.

Tax applicable to insurance contracts

30. During the UK Presidency in 1981 M. Delors explained to Sir Geoffrey Howe that France has particular fiscal problems on the taxation of insurance premiums, and undertook that the French would play a more positive role in getting agreement on the directive if this could be sorted out. What they wanted was the right to charge VAT. The Finance Council on 14 June 1982 reached agreement in principle that an optional right should be given to Member States to charge VAT. This would mean amendment of the 6th VAT Directive.

31. The Commission were asked to submit a proposal. The Commission said that it would not do so until an overall agreement on the Services Directive was in view. As agreement is not in sight the Commission has not submitted a proposal, and there has been no discussion of the matter since last June. The French have said that they want to raise the matter at this Council meeting.

UK objectives

32. Our interest is that the taxation issue should not be neglected and allowed to become an unresolved obstacle to agreement later on, but to leave the French as far as

possible to make the running in achieving that. We need to strike a balance between on the one hand endorsing the need to solve France's problem and on the other preserving our credentials with the Commission and other Member States by agreeing with them that any solution must not distort competition and by urging the French to make an effort and acknowledge that too.

33. However, our original hope that, as a result of our work during the UK Presidency in 1981 on the VAT option, the French would prove more flexible in other areas of the Directive has not been fulfilled so far. All the indications are that the French are using the VAT issue as yet another excuse to delay progress on the Directive, which they do not want. If France continues to be uncooperative on other issues and on the actual terms of the VAT concession, we may need to reconsider our position.

Point to make

34. /If the French raise the point/. The UK does not tax insurance, but recognises the problems adoption of the Insurance Services Directive might cause in this field. It has therefore taken a flexible and sympathetic attitude to the fiscal problems of other Member States. It hopes that other Member States will be equally flexible in agreeing to fiscal arrangements and will not take an unduly restrictive view. If optional VAT is to be accepted the risks of distortion of competition and revenue loss must be minimised.

Background

35. Article 15 of the Commission's original proposal for the Insurance Services Directive made only a limited attempt to harmonise existing insurance premium taxes so that tax would not be charged in more than one Member State. During the UK Presidency in 1981 one of the problems that emerged was a strong desire by the French to replace their current taxation of insurance by VAT.

This was presented to the UK as a possible quid pro quo for cooperation on the rest of the Directive. We did a great deal of work on the optional application of VAT during our Presidency in an attempt to help the French.

36. Insurance is at present exempt from VAT, under the 6th VAT Directive, throughout the Community. No-one, except the French, is in favour of the compulsory application of VAT to insurance. Other Member States were profoundly unenthusiastic but were last year reluctantly prepared to accept the idea of an option for VAT but want to be sure that distortion of competition and budgetary loss would be minimised. This can be best achieved by establishing special rules for the deduction of input tax by insurers.

37. The Council agreement in principle in June 1982 that an optional right should be given to Member States concerning the application of VAT to insurance was conditional on any eventual solution not distorting competition and not resulting in notable budget losses and that both the Services Directive and the Directive amending the 6th VAT Directive would be adopted simultaneously. The Commission said that it would not put forward a final proposal to amend the 6th VAT Directive until an overall agreement on the Services Directive was in sight. The Council had before it a number of informal Commission proposals. One of these proposals would be acceptable to the UK, but the French favour another that would distort competition and would be unacceptable to other member States and to the Commission.

Transitional period for implementation of services provisions (Title III) of directive

38. Greece and Ireland have asked for an additional period of five years to implement the freedom of services provisions.

POSSIBILITY OF A SERVICES DIRECTIVE FOR ICP RISKS ONLY

39. If the Council discussion goes badly, it is a very remote possibility that the Presidency may float the idea of a separate directive for ICP risks only. It seems very unlikely that the Commission would entertain such a proposal because the Treaty right for freedom of services is indivisible. In any case, this would probably put off for ever the possibility of writing "mass" risks on a services basis, would solve none of the existing problems on definition of ICP risks, extent of control of policy conditions etc, and there seems no reason why a directive on ICP risks only should have any greater chance of success. It would be acceptable to us only on the - entirely unrealistic - assumption that it allowed complete freedom to write ICP risks (defined qualitatively) on a services basis. If this topic were to be raised, all we could do is to reserve our position on the entire idea.

I3
Department of Trade

9 June 1983

ANNEX 1

10/6/83

BACKGROUND

There has been freedom of establishment for insurance undertakings for some time - the Non-Life Insurance Establishment Directive was adopted in 1973. But progress on cross-frontier insurance (particularly of industrial, commercial and professional (ICP) risks) - that is to provide insurance on a services basis to another Member State without having an establishment there - has been very disappointing. Freedom of services is a basic right under the EEC treaty, but in the case of insurance, which is a highly regulated industry, it is necessary first to coordinate some ground rules. This is the purpose of the non-life insurance services directive, which was first proposed by the Commission in 1975.

UK INTEREST

2. Our industry, would stand to gain considerably from a real liberalisation of insurance services business, particularly Lloyd's. The bigger insurance companies already have establishments in main Community markets. But a Services Directive would allow them and the company sector generally to profit from the freedom to write insurance on a services basis and increase their market share. The UK industry has estimated that the net gain for UK invisible earnings from the Services Directive could be around £55m. We tried hard to secure agreement on a liberal services directive during the UK Presidency in 1981, but did not succeed.

ATTITUDES OF OTHER MEMBER STATES

3. We have had, until recently, little positive support, except from the Commission and, in a rather passive way, from the Dutch. A number of our partners, notably Germany, France and Italy now impose considerable restrictions on insurance business placed with foreign insurers who are not established in their countries. France allows practically no insurance business to be placed abroad. These, and some other Member States, also impose controls on policy conditions on tariffs. This is in sharp contrast to the UK where almost any kind of insurance can be placed freely

with foreign insurers not established here, and where we impose no controls on policy conditions or tariffs. Our supervision is restricted to the financial solvency of insurers. The Dutch and Danish regimes are probably the nearest to our own.

4. There is, therefore, a considerable gap between Member States. The restrictionists do not want to give up their controls, ostensibly for the protection of policyholders, but largely because they would prefer to keep their protected markets. Moreover, the more insurance business that can be kept with insurance companies established in a country, the better for those countries' balance of payments. This is undoubtedly an important consideration for France.

POINTS AT ISSUE

5. The arguments over the services directive have been largely concerned with the extent of supervision and control by the Member State where the services business is to be placed. We accepted at an early stage, that so far as insurance placed by consumers was concerned (the so-called "mass risks"), there was a case for stricter supervision in order to protect policyholders' interests. In regard to ICP risks, the Commission's original intention was that there should be no controls on the grounds that commercial and professional policyholders were able to look after themselves and had access to expert advice. Moreover, now that the Establishment Directive prescribes a common standard of supervision of insurance undertakings within the Community, the need for any additional supervision of services business should be much diminished.

6. A liberal regime for the insurance of ICP risks has always been a pre-requisite of agreement for the UK industry, which thrives on flexibility. Because it is free from controls of policy conditions it is free to innovate, and there seem little doubt that freedom has been a principal reason for the success of our industry and its pre-eminent role in international insurance.

The Germans, who had, until their Presidency, been in the van of the restrictionists, particularly as regards the control of policy conditions, have under pressure from the UK, made considerable efforts to get the services directive moving. Parts of their own insurance industry (which is large and strong and has the biggest home market in the Community) may well have helped to get them to adopt a more liberal stance. The details of the German "notification" proposals, see below, were based on proposals discussed between our and German insurers. Policy conditions are currently rigidly controlled under German insurance supervisory law.

NOTIFICATION PROCEDURE

(Article 7)

7. The Germans are now proposing to relax controls over policy conditions for ICP risks in their own domestic market. They are therefore in a position to accept such liberalisation in the service directive. (The same conditions must apply to insurers established in a Member State and to non-established insurers writing business there on a services basis, otherwise there would be distortion of competition, which would be contrary to the Treaty). At the beginning of their Presidency, the Germans proposed, initially in bilateral talks with us, a "simplified" notification procedure for ICP risks, under which Member States would have the power to ask for the systematic notification of the general policy conditions for such risks, but would have no power of prior approval. Member States would retain only a limited power to regulate the content of policy conditions for ICP risks. This was a considerable change in the German position and we have agreed this proposal in principle, subject to certain conditions. The UK industry had always been firmly opposed to systematic notification and gave its agreement with considerable hesitation - in view of its justifiable suspicion that notification might be twisted by some Member States into de facto prior approval - and it represents a major concession by the UK. Other countries, except Ireland, also agreed to the simplified notification proposal for ICP risks. The majority also agreed originally to the principle of limitation of Member States' powers to regulate

the general policy conditions. However, there has now been backsliding on this principle by the French (and Belgians), ostensibly on technical grounds.

DEFINITION OF "ESTABLISHMENT BUSINESS"

(Article 3a)

8. The German Presidency has also concentrated on trying to get agreement on the definition of "establishment business" ie the definition of insurance business which would require authorisation under the Non-Life Insurance Establishment Directive (the First Co-ordination directive).

9. The Establishment Directive contains no such definition, but a number of other delegations consider that, there must be a clear dividing line between "establishment" and "services" business in order to avoid abuse and evasion of the authorisation and supervision requirements of the Establishment Directive. The German attempt to settle this question is only the latest of many others, all of which failed because the "restrictionist" countries wanted to define establishment business so widely as to leave little to be classed as services business. The Presidency has provided a large number of different texts of increasing complexity but it has not yet been possible to reach agreement on any of them. We consider all these proposals as too restrictive because they would extend the concept of carrying on insurance business into activities which, while they are activities ancillary to carrying on insurance, could not, in our view, be classed as an insurance activity requiring authorisation, supervision, keeping a margin of solvency over liabilities, setting up reserves, etc. We could not agree to a definition that is more restrictive than our own concept of what constitutes insurance requiring authorisation and supervision. We see no good grounds for bringing into the net of insurance supervision bodies like claims settlement agencies, loss adjusters, insurance brokers, whose activities do not constitute carrying on insurance business.

FUTURE PROGRESS ON DIRECTIVE

10. In addition to the points that have been under discussion during the German Presidency, there are still a number of other important matters left to resolve. Early agreement on a directive seems unlikely, not least because of the attitude of the French who say that they are unwilling to agree to anything until their demands, concerning the taxation of insurance premiums that they made during our Presidency, have been met. (These were for an amendment to the 6th VAT directive to allow Member States the option of changing VAT on insurance premiums). But even if France's demands on VAT were met, France's tactics of making difficulties on almost every liberalising proposal put forward, must put in doubt France's willingness to agree to the sort of liberal directive that we could accept. However, France appears to be becoming increasingly isolated because other formerly very restrictionist countries eg Germany and Italy seem to be becoming somewhat more liberal, at least in some respects.

GREEK PRESIDENCY

11. It is difficult to assess what the Greek Presidency will be willing to do about the services directive. We understand that Greece is only now considering implementation of the Non-Life Insurance Establishment Directive, and the present confused state of the Greek insurance industry is unlikely to make the Greeks anxious to press on with freedom of services. They have said openly that a services directive would present them with considerable difficulties. However, we hope at the next European Council to encourage further discussion under the Greeks, and we will take advantage of forthcoming Ministerial visits to Athens to remind the Greeks that we attach high priority to progress on the directive. But the possibility cannot be discounted that the services directive will lie comparatively dormant during the Greek Presidency. While this would be unsatisfactory from our point of view it would nevertheless provide an opportunity for some bilateral lobbying, particularly of France, which takes over the Presidency after the Greeks.

OUTLOOK

12. However, a real assessment of the position will need to wait for the end of the German Presidency. But our aim should be to continue to keep up the momentum and to press for a liberal directive that would be of real benefit to our industry. A recent refusal by a German Court to refer to the European Court of Justice a case concerning the prosecution of a German broker by the German Supervisory Authority for placing insurance of a German risk in the UK market shows that the bringing of court actions is not a reliable way of making progress on freedom of services. A manifestly illiberal directive would be seen by our industry as worse than none: and could lead to the kinds of restrictions discussed in para 9.

HP

ANNEX 2

10/6/83

ARTICLES OF DIRECTIVE
(11385/82 SURE 38 - Text drawn up by
Danish Presidency 10 December 1982)

Article 1 lays down the dual purposes of the directive, that is to supplement the regulatory provisions of the First Co-ordination Directive (the Non-Life Insurance Establishment Directive) and to lay down special regulatory provisions for the services directive. Any liberalisation must apply equally to "establishment" and "services" business. If it did not, this would be discriminatory and contrary to the Treaty. The directive therefore includes provisions amending the First Co-ordination Directive (Title II, Articles 3-8) as well as provisions concerning the exercise and control of services business (Title III, Articles 9-26).

Article 1 is, so far, uncontroversial, although we have a reservation on 1.(b), which we consider as being too neutral. We should prefer it to say "to lay down provisions to facilitate the effective exercise of freedom to provide services by the undertaking ....." as reflecting more accurately the purpose of the directive. The reservation is mainly tactical, although we have obviously not said so in Brussels. At the end of the day the exact wording on an agreed directive will not be of great importance. But at present, our reservation is useful in allowing us, in any general discussion of the directive, to remind others of its basic purpose.

Article 2. Article 2a is self-explanatory. Articles 2.b and c are intended to bring out the distinction between the undertaking as a whole and the establishments from which it operates, ie its head office, branch, or agency. Unlike the First Co-ordination (Establishment) Directive, which does not use "establishment" in the sense of an office or physical manifestation of the undertaking, it is thought that since "establishment" is used in this sense in the services directive there is need for a definition. It is not a point of major importance. What is important to remember is that it is the undertaking and not any of its establishments, that is authorised to write insurance business under the First Co-ordination Directive.

It is about the definition of "agency or branch" in 2.d that there has been furious argument over very many years. The reason for having a definition at all is that the First Co-ordination Directive does not define "establishment business", ie that business requiring authorisation under the First Directive. It is thought that when there is a services directive, then it is necessary to have a definition of "establishment business" so as to draw a clear dividing line between "establishment" and "services" business and to avoid abuse. The theory is that there are grey areas which might or might not be establishment business, and that these must be reduced so far as possible. It is true that such grey areas exist but the Article has given the restrictionists an opportunity to maintain that certain ancillary activities are establishment activities which in our view are clearly not, eg the "submission" of contracts which is a brokerage activity. The German Presidency is now proposing deletion of Article 2.d and its replacement by a new Article 3.a that would amend the First Co-ordination Directive by inserting in it a definition of "establishment business".

2.f is to bring the directive up to date; it was drafted before the ECU was invented. The Germans and Belgians have raised difficulties about the definition of the ECU, which we do not understand. At present, there seems no need for the UK to get involved.

Article 3 triggers the application of the directive. It does little harm, although a number of other delegations would prefer a provision in the form of a statement for entry in the Council minutes. That would also be acceptable.

The Presidency has put forward proposals for a new Article 3.a to define "establishment business".

Article 4 (and Annex 1 to directive). The Article is highly technical, but is extremely important for the financial supervision of insurance companies. The purpose of the Article is to impose a degree of harmonisation of the methods of calculation of technical reserves, ie those provisions an undertaking must make to meet its insurance liabilities. The First Co-ordination Directive left this to Member States, although the question has since been the subject of a report by an EC Supervisors Working Party. It is those States that do not now allow services business (or allow it only to a very limited extent), in particular France, Germany and Italy, who are insisting on this Article. Their reasons are that, since at present, their citizens are allowed only to take out insurance with insurers established in their territory, they are themselves able to supervise the technical reserves of all those insurers. However, they will not be able to supervise the technical reserves of any insurers not established in their territory with whom their citizens would be able to take out insurance under a services directive. So it is necessary to harmonise Member States' practices, and the methods proposed are those recommended in the Supervisors Working Party report on which the UK has some reservations. As the Article indicates, the proposed harmonisation is extended only to certain technical reserves and leaves Member States free to prescribe rules concerning other types. The Article is fairly uncontroversial, but the French want combined reserves (as used by Lloyd's and some companies) confined to transport insurance. We, and others, do not. We do have a problem on equalisation reserves. These are reserves against the possibility of large claims arising as the result of, for example, storms. In the UK they are not exempt from tax. Not surprisingly, that is why the UK industry does not establish them. The Inland Revenue is adamant that we should not accept the mandatory exemption of equalisation reserves from tax in Article 4.8. They say that all Community legislation on such subjects is expressed in terms of a limitation on Member States' freedom to grant exemptions and does not make it mandatory for them to do so. And the Inland Revenue say that while they allow, and are prepared to consider, tax exemption for reserves for identifiable liabilities, they are not prepared to do so for reserves against an uncertain event. This is established Revenue doctrine not confined to insurance companies. Companies are only allowed tax exemptions on provisions that they make for identifiable existing or future liabilities.

Article 5 (and Annex 2 to the directive). This Article deals with the currency matching of assets and of insurance liabilities. We - and the Germans - have a reservation on it. It is clearly necessary that there should be matching so that exchange fluctuations should not put the financial solvency of insurers at risk. But particularly in an international insurance market like that in the UK, which deals in a very wide range of currencies, it would be uneconomic for insurers to have to match all their liabilities, however small. Too rigid rules would inhibit insurance companies' freedom to invest and probably make it uneconomic for some of them to write business in certain foreign markets. A balance has to be found between protecting policyholders by preventing companies from running excessive risks from fluctuating exchange rates and allowing insurance companies sufficient freedom to operate.

The First Co-ordination Directive merely says that technical reserves, ie the provision made by companies to cover their insurance liabilities should be required to be covered by equivalent and matching assets. The First Directive also provides that Member States may relax these rules. It is these relaxations that this Article and Annex 2 seek to limit to a degree that we think too restrictive, particularly in respect of the exceptions granted to matching in a particular currency. Others, ie France, Belgium, Denmark, Greece and Ireland do not want a provision allowing appreciable relaxations largely for monetary reasons, because this could result in a "loss" for their markets. In fact, they appear to regard this provision as one more for the purposes of exchange control than for supervision. We also have objections to some of the detailed rules proposed. It was agreed during the Danish Presidency that the whole issue would have to be looked at again in a Commission Working Party of experts.

Article 6 dealt with rules determining, for different circumstances, under which country's law a contract of insurance would be enforced. A measure of freedom of choice would be a liberalisation the directive would provide. There is no text for this Article in the current version of the text because none could be agreed under the Danish Presidency. The Danes have strong views on this and want the greatest freedom of choice of law. We agree in substance but recognise that, in practice, it has little chance of being adopted, bearing in mind that France wants no choice of law at all and that others would be prepared to agree a limited choice only. We should be prepared to go along with a proposal made in 1980, which is that which the German Presidency is now advocating, and which most others (except France) would also be prepared to agree. This would provide for freedom of choice of law for transport insurance risks and multinational risks (insurance risks not situated in the same Member State as that of the policyholder, or where this contract covers two or more ICP risks situated in different Member States). Although the Presidency proposals refer to the 1980 provision for choice of law, this has not been discussed recently. Further discussion will be necessary.

Article 7 amends those Articles of the First Co-ordination Directive which specify the information that undertakings must submit in support of their application for authorisation. These include their policy conditions and tariffs for all but transport risks. Article 7 extends

to ICP risks the exemption from submission of policy conditions and tariffs. It also says that Member States' powers of approval of policy conditions and premiums under the First Directive should not apply to transport or ICP risks. But Member States retain their powers of regulation concerning these risks. But the Germans have always been in the van of those who wanted to retain the power to approve policy conditions for ICP risks. However, the German Presidency has now put forward a compromise proposal under which Member States would not have such power, but they would be entitled to ask undertakings to submit their policy conditions for ICP risks (excluding conditions for specially negotiated contracts) on a systematic basis. The proposal also includes provisions for limited Member States' powers to regulate policy conditions for ICP risks. In principle we could accept such a compromise provided the details are right but much depends on the drafting of the Article.

However, we do have a strong reservation of principle on the definition of ICP risks, which is in terms of quantitative financial "thresholds".

The Article does not affect the so-called "mass" risks, ie those affecting consumer policyholders. The control over policy conditions for such risks remains.

Article 8 states the obvious, that is that Member States must have the means to carry out their obligations under the insurance Directives. The Germans and French want to go on to prescribe what those means should be in an entry for the Council minutes. That contains an unresolved disagreement as to how far investigations on an insurer's premises should extend to the premises of an intermediary not having a binding authority to conclude contracts on the insurer's behalf.

Article 9 sets out when the services directive applies, ie it defines "services business". The German Presidency has proposed a new Article to fit in with its proposed new definition of establishment business. Under that proposal Article 9 would be the converse of the Article defining establishment business; if the latter is acceptable then the proposed Article 9 would be also. The German proposal would also allow Member States, like Germany, who allow their citizens to take out insurance with an insurer abroad provided this is done by post, or when the policyholder is actually abroad, to continue to do so without control. (This type of insurance is usually referred to as "correspondence insurance"). This particular point has only really emerged during the German Presidency, who say with justification that the services directive should not restrict existing freedoms. We agree with them. There are problems on the special provision for Germany to retain its specialisation particularly in relation to legal expenses, on which there is a separate draft directive.

Article 10 is concerned with the conditions with which an undertaking must comply before doing services business in a Member State. It gives rise to no difficulties.

Article 11. Articles 11, 12 and 13 set out the conditions of admission of an undertaking wanting to write services business. Article 11 sets out what such an undertaking must include in the scheme of operations which it is required to submit to the supervisory authority in the Member State of provision of services under Article 10. It reflects what is said in Article 7 concerning the submission of policy conditions for transport and ICP risks, and will be affected by any amendment of Article 7. The UK, and the Commission, have a reservation on the requirement to submit premium rates for mass risks.

Article 12 provides that supervisory authorities should have six months to check for compliance the documents submitted under Articles 10 and 11 in respect of mass risks only. If they have not reached a decision at the end of six months, the undertaking can start writing services business. (This provision does not apply to ICP and transport risks, which the undertaking can start writing straight away). We have a reservation on the six months, we think that three months would be sufficient, although we have said that something to our satisfaction could probably be worked out eventually.

Article 13 provides for a right of appeal by an undertaking against an adverse decision by the supervisory authorities.

Article 14 sets out the conditions of supervision of an undertaking writing services business and says that Member States may provide for approval of policy conditions for mass risks, but not for transport or ICP risks. The Presidency is re-drafting this Article to bring it into line with its proposed re-draft of Article 7. We have a reservation on that part of the Article requiring translation of the documents that have to be provided to the supervisory authority by undertakings, and want this to apply only in the case of mass risks. If there is to be systematic notification of policy conditions for ICP risks, it will be all the more important for us to try to get a relaxation of the translation requirements, because these could prove an expensive and burdensome requirement for our insurers.

Article 15 is an important Article for the UK. It concerns the extent to which branches and agencies of undertakings established in the Member State of provision of services may participate in the writing of any business written in that State by that undertaking on a service basis. This issue, referred to in Community jargon as "cumul", is closely linked to the question of definition of establishment business. The French, Greeks and Italians are opposed to such branches or agencies taking any part in services business, on the grounds that this would blur the line between establishment and services business. We cannot accept this. It is essential that branches or agencies should be able to take part; in practice it would be the local establishment of a UK company that would provide the back-up services for a contract to be concluded with head office.

The German Presidency is proposing that the branch or agency of an undertaking can do all those things in connection with services business written by an establishment of the undertaking situated outside the Member State concerned, for which authorisation is not

required under the First Co-ordination Directive. This approach is logical and we welcome it; whether it will be acceptable will depend on whether the definition of establishment business under Article 3.a is acceptable.

Article 16 provides for "sanctions", ie remedies for breaches of national law by companies writing services business. It was largely agreed by the Council in December 1981. But the Presidency is proposing an amendment which would allow the Member State of provision of services an opportunity to warn offenders, and not only to take the ultimate step of stopping them from writing services business.

Article 17 is a technical Article concerned with the interests of policyholders in a winding up.

Article 18 which is incomplete, is concerned with the respective responsibilities of the Member States concerned for authorising a transfer of contracts written on a services business from one undertaking to another. Where the undertakings are in the same Member State then we consider it sufficient for the supervisory authority in that Member State to give the authorisation, where they are in different Member States then it should be for the Member States of the undertaking making the transfer to give authorisation. However, there is a considerable variety of views on this question, which will need further discussion. In practice, it seeems unlikely that this procedure would be invoked very often. What is important is that the procedure must be quick if it is to benefit policyholders, since non-life insurance contracts are only for a year.

Article 19 provides for certificates to be issued by insurers writing compulsory insurance on a services basis, where a Member State requires proof of compulsory insurance.

Article 20 says that policyholders must be told the Member State of the establishment which is writing the insurance contract on a services basis before any commitment is entered into. Insurance for transport and ICP risks are exempted from this requirement, but it is now proposed to remove this exemption. We and the Dutch are opposed to this because the practicalities of the international insurance market are that brokers place business at very short notice, and the commercial policyholder's main concern is getting cover quickly often at a few hours' notice. A requirement on the lines of Article 20 would only introduce delays to no good purpose.

Article 21 provides that every establishment of an undertaking doing services business must keep a special operating account for such business. We and the Dutch, in particular, are opposed to this requirement and have entered reservations. The Article includes requirements for undertakings to keep information about the services business they do, and we think that this is sufficient.

Article 22 provides that the technical reserves covering contracts written on a services basis should be located in the Member State where the establishment is writing the business. We think that there should be freedom to locate them anywhere in the Community.

Article 23 says that Member States may require undertakings writing services business in their territories to participate in any guarantee scheme guaranteeing the payment of claims to policyholders and injured third parties. We sympathise in principle, but are concerned about the practical implications. It has been agreed that these require further study.

Article 24 was concerned with the taxation of insurance premiums. The Commission will in due course make a proposal taking into account France's concern that Member States should have the option to charge VAT.

Article 25 extends the application of the Directive to Community insurance, which is already the subject of a Directive adopted in 1978. It is restricted to large risks. While this provision is logical in that co-insurance is a form of services business, we have some doubts about this Article. We need to consider further when the other provisions of the directive are nearer their final form.

Article 26 enables the Community to extend the benefits of the Directive to third country insurers' EC branches. It is very important to us that they should not be discriminated against, since we would not wish to invite retaliation from markets of greater importance to us than the Community, the United States.

Title IV (Articles 27-32) is largely formal. Article 27 provides for collaboration between Member States and with the Commission on the operation of the directive. Article 29 provides an extra period for application of the directive to branches and agencies. This Article is now agreed, following the satisfactory resolution of an earlier debate as to whether branches and agencies should be able to do services business.

Department of Trade
Insurance Division

June 1983

BRIEF 2

10/6/83

ECOFIN: COMMISSION PAPER ON THE ECONOMIC AND SOCIAL SITUATION

We have belatedly received a copy of the Commission's paper for next week's European Council. No English translation is yet available.

2. The Commission notes the fall in both output and inflation in 1982, and expects a modest recovery in activity in 1983. This will not be rapid enough, however, to prevent unemployment rising. The recovery still faces risks from the slow recovery of world trade, continued debt problems, exchange rate tensions and high US interest rates.

3. Nevertheless, as long as these risks are overcome, the Commission foresees a further recovery in the Community next year, led by the UK and Germany. Inflation should slow further but unemployment may continue to rise.

4. The Commission suggests that the 5-point strategy it put to the Council in March is still relevant. This covered careful monitoring of debt problems, improved stability of the international monetary system, co-operation on energy policies, flexible monetary policies to reduce interest rates and fiscal measures by low inflation countries to encourage recovery.

5. This 5-point strategy was apparently drafted by Ortoli, and we had reservations about it at the time - notably the suggestion that countries such as the UK and Germany should relax their monetary and fiscal policies. The present version contains much the same sentiments but without naming specific countries. It is open to the same objections. Domestic demand is already rising significantly in the UK, and we do not see the case for artificial efforts to stimulate it.

6. Finally, the Commission draws attention to the problem of unemployment. It suggests first greater Community aid for the young under the social programme, although no specific ideas

are made. Second it mentions how reductions of working hours in some countries are apparently being tried to reduce unemployment. It suggest harmonisation to prevent distortions - presumably to competitiveness - across the Community. This sounds a scheme of which to be sceptical.

10/6/83

BRIEF 2(a)

CONFIDENTIAL

ECOFIN: FOLLOW-UP TO WILLIAMSBURG

The Commission has given notice that it will raise this - probably over lunch. Thorn has already criticised the Williamsburg outcome publicly in a speech to the European Parliament in which he said that unemployment, inflation and high US interest rates, rather than Western security, should have been the dominant themes of the Summit.

2. Disappointment about the Summit has also been expressed by Chancellor Köhl* who has regretted the US failure at the Summit to change its economic policies 'to ease the monetary and financial situation of its partners'. Goria, the Italian Treasury Minister, has described the Williamsburg outcome as a facade with no substantial agreement. The French government is reported to have been pleased with the inclusion in the Summit communique of a reference to an international monetary conference, but will almost certainly not have been satisfied with the overall conclusions.

3. The reactions to Williamsburg, therefore, may well be less than euphoric. The Chancellor will want to note that while there was agreement at Williamsburg that a modest recovery is under way, this will be slow to spread to Europe. We share the frustration of others at the US Administration's obduracy/powerlessness in the face of its budget deficit. These factors reinforce the need for Europe to establish a sound basis for its own recovery. The sounder are European policies and performance, the better the Community is likely to be able to withstand external shocks.

4. It remains the case that European countries need to continue to work with their partners. We attach importance to the multilateral surveillance exercise and will be pursuing this with other major countries and the IMF Managing Director.

5. The Commission has agreed that the Community will need to define its attitude and register its views on the issue of improving the international monetary system which Summit leaders asked Finance Ministers to study. It is too early to say how

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* See also telegram attached.

exactly the study will be advanced. The UK, as organisers of next year's Summit, will have a special responsibility. Any substantive work is likely to take place at the G5 level, but G10 could play a useful role. (This helps overcome at least partly the problem of consulting both G7 and EC partners separately). For the moment, EC Finance Ministers are perhaps best advised to remit this subject to the Monetary Committee.

6. Finally, the Commission is concerned about the prospect of further meetings of G7 Trade and Finance Ministers. The Williamsburg communique did not mention such meetings specifically. Although we see some value in discussing trade and finance issues together with Summit partners informally, occasionally, we recognise Community competence in trade matters. We would expect trade issues to be taken forward mainly in the GATT which is mentioned in the Williamsburg communique.

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FRAME ECONOMIC
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UKDEL OECD UKDEL IMF/IBRD

MY TELNO 561: CHANCELLOR KOHL ON WILLIAMSBURG: ECONOMIC ASPECTS AND INTEREST RATES IN PARTICULAR

SUMMARY

1. TODAY CHANCELLOR KOHL SAID THAT HE WAS ENCOURAGED BY THE AGREEMENT ON THE ECONOMIC POLICIES WHICH ALL SHOULD FOLLOW, ACHIEVED AT WILLIAMSBURG. HE NOTED THAT THE SUCCESS OF GERMAN ECONOMIC POLICY WAS DEPENDENT ON THE POLICIES PURSUED BY OTHER COUNTRIES. HE REGRETTED THAT THE AMERICAN BUDGET DEFICIT WAS STILL POSING PROBLEMS ELSEWHERE BUT WENT ON TO TEMPER THE DIRECTNESS OF HIS CRITICISM.

DETAIL

2. ADDRESSING THE BUNDESTAG KOHL SAID THAT THE WILLIAMSBURG DECLARATION ON ECONOMIC RECOVERY WAS AN AGREEMENT ON A COMMON STRATEGY FROM WHICH, ON SEVERAL COUNTS, HE DREW ENCOURAGEMENT. IN PARTICULAR, IT HAD BEEN AGREED THAT SPECIAL PROGRAMMES TO COMBAT UNEMPLOYMENT COULD NOT HELP, WHICH WAS CONFIRMATION OF THE POLICY OF THE FEDERAL REPUBLIC: THAT MONETARY DISCIPLINE WAS INDISPENSABLE: THAT BUDGETARY DISCIPLINE, THAT IS TO SAY A REDUCTION OF GOVERNMENT INDEBTEDNESS, WAS REQUIRED: THAT PROTECTIONISM SHOULD BE HALTED: AND THAT IN FUTURE THERE WOULD BE CLOSER CO-OPERATION OVER PROTECTING THE ENVIRONMENT. IT WAS ALSO ENCOURAGING THAT THE INTERESTS OF THE DEVELOPING COUNTRIES HAD BEEN TAKEN INTO ACCOUNT IN ALL CONSIDERATIONS OF MONETARY, FINANCIAL AND TRADE RELATIONS.

3. WITH REGARD TO THE NEED FOR BUDGETARY DISCIPLINE, CHANCELLOR KOHL WENT ON TO SAY: QUOTE IT IS IMPORTANT THAT THE UNITED STATES ALSO FULLY RECOGNISED THIS. IT IS, HOWEVER, UNSATISFACTORY FOR US ALL THAT THE UNITED STATES OF AMERICA DID NOT YET SEE THEMSELVES IN A POSITION TO TAKE ADEQUATE PRACTICAL STEPS TOWARDS THE ALLEVIATION OF THE MONETARY AND FINANCIAL SITUATION OF THEIR PARTNERS UNQUOTE. HE LATER WENT ON TO TEMPER THIS COMMENT AND ADMONISH THE SPD OPPOSITION AND, BY IMPLICATION, ALSO THE FRENCH GOVERNMENT. HE SAID THAT THOSE WHO CRITICISED THE AMERICAN BUDGET DEFICIT SHOULD NOT BE ADVOCATING HIGHER GOVERNMENT INDEBTEDNESS IN THE FEDERAL REPUBLIC. FURTHERMORE, QUOTE WHOEVER EMPHASISES THE INDEPENDENCE OF EUROPEAN POLICIES SHOULD NOT IN THE SAME BREATH LOAD ON THE AMERICANS ALL THE RESPONSIBILITY FOR INTEREST RATES AND EXCHANGE RATES AND THE ECONOMIC PROBLEMS OF HIS OWN COUNTRY UNQUOTE.

SINCE

4. SINCE WILLIAMSBURG KOHL HAS TWICE RECENTLY, IN SPEECHES TO INDUSTRY ASSOCIATIONS, VOICED HIS CONCERN ABOUT THE CONTINUING US BUDGET DEFICIT AND ITS CONSEQUENCES FOR INTEREST RATES BOTH THERE AND IN EUROPE. THE PRESIDENT OF THE BUNDESBANK, POEHL, IN A SPEECH TO BANKERS IN FRANKFURT YESTERDAY, ALSO EXPRESSED HIS CONCERN ABOUT THE RISKS TO GERMAN ECONOMIC RECOVERY IN THE RECENT FIRMING OF INTEREST RATES, THOUGH WITHOUT CRITICISING THE ADMINISTRATION'S BUDGET DEFICIT DIRECTLY.

TAYLOR

FRAME ECONOMIC

ECD (I)

THIS TELEGRAM WAS NOT ADVANCED

10/6/83
BRIEF 3

NEW COMMUNITY INSTRUMENT III (NCI III)

OBJECTIVE

To decide upon the size of the first tranche under NCI III, within the total borrowing ceiling of 3 billion ecus. The Commission proposes an initial tranche of 1500 million ecus (about £845 million).

BACKGROUND

1. The NCI was originally established by Council Decision 78/870/EEC of 16 October 1978. The purpose was to try to foster investment in the Community. The Commission is empowered to borrow funds on the capital market in its name, for on-lending to energy, industry and infrastructure projects in member states.

2. There has always been room for some doubt whether the Community needs the NCI as well as the European Investment Bank which was set up by the Treaty of Rome. But it was felt that there was value in evidence of a new initiative. The EIB oversees the actual projects, under an agreement with the Commission.

3. The amount of borrowing and lending under the earlier facilities (NCI I and NCI II) was limited to 1,000 million ecus (about £563 million) each time. The available resources under the NCI II are now almost fully committed. The Commission, in 1982, sought to renew the NCI indefinitely and to an indefinite total extent. But the Council of Ministers (Finance) insisted on a limit, and agreed on 7 February to set such a limit for the NCI III at 3,000 million ecu (about £1,690 million).

4. The Community procedure required the Council position to be forwarded to the European Parliament. Since the European Parliament, like the Commission, would have preferred there to be no ceiling, the Parliament exercised its right to demand "conciliation" before the final Decision - the legal act - was adopted by the Council. The conciliation took place on 18 April; the outcome was an agreement by the Council to certain declarations, following which the Decision was adopted as it stood.

5. Now that the basic Decision has been adopted, the facility has to be implemented by means of former Decisions authorising individual tranches of borrowing. The issue for decision on 13 June is the size of the first tranche. The Commission want 1500 mecus (about £845 million). Member states at the official level have expressed varied reactions to this proposal, and COREPER (Ambassadors) on 2 June failed to reach agreement.

UK position

6. A cautious line is best: there is more incentive to look for excellence and value for money if funds are not too readily available. So we would tend to favour 1 billion ecus at first, without getting out in front. The Dutch and Germans should be left to make the running. In the end the UK can join any consensus: this will probably be for 1500 mecus at most.

Line to take

- Prefer an initial tranche of 1 billion ecu.
- The problems of investment and combatting unemployment are not to be solved by indiscriminate use of money.
- Much better to have to be rigorous in the search for ways of putting the funds available to the best possible use.
- The Commission can always return for a further tranche if demand for really worthwhile projects accelerates.
- There is another political reason for being on the cautious side at present, since the Council has also just agreed that 4 billion ecus should be raised by the Commission for on-lending to France under the Community Borrowing and Lending Instrument designed to help with balance of payments problems. The Community should be careful not to risk its credit standing by too many calls on the capital markets.

FCO

BRIEF 4

10/6/83

EMS INTEREST SUBSIDY REGULATION

Objective

To remit the Commission's proposal for further study by COREPER.

Background

2. When the EMS was set up in 1978, much was made of the difficulties which would be faced by the less prosperous countries when they linked their currencies to the DM. It was accordingly agreed that there should be special measures to assist and develop the economies of these less prosperous countries, in order to help them adapt to the disciplines of the EMS. These special measures were to take the form of interest subsidies. They were widely seen at the time as a "bribe" to Italy and Ireland in return for their joining the Exchange Rate Mechanism (ERM).

3. The Regulation providing for payment of these interest subsidies was agreed in August 1979; the subsidies were to last for 5 years, in the amount of 200 million ecus a year. Roughly two thirds was to go to Italy and one third to Ireland. There was also provision that only those member states fully participating in the EMS should pay for the subsidies - the UK (and subsequently Greece) was compensated for its share in them.

4. The adoption of the Regulation had been held up partly because we wished to secure a commitment that, if sterling were to join the ERM, we too would qualify as "less prosperous" and therefore entitled to interest subsidies. In the event, the most we could get was a less than water tight declaration in the Council Minutes to the effect that it would be for decision whether any new adherents to the ERM were to be regarded as less prosperous or not.

5. The new proposal is to extend the interest subsidies of Italy and Ireland by a further two years, to cover 1984 and 1985. Since the proposal has only just been published, there have not been any clear reactions to it from other member states (other than strong support from Italy!). But preliminary contacts suggest that the Germans, Dutch and French may be reluctant to agree to prolong these interest subsidies given the Community's tight budgetary

situation and their own budgetary difficulties.

6. We have not yet had a chance to formulate our own attitude to the proposal. Our immediate financial interest is safeguarded because we are compensated for our share in any EMS interest subsidies that are agreed: to some extent, therefore, it is more a matter for the member states fully participating in the system to agree between themselves. However, we do have two strong interests to protect:

(i) first, we will probably wish to return to our attempts to secure a water tight undertaking that, if sterling joins the ERM, we will receive interest subsidies as a less prosperous member state; and

(ii) as far as the immediate 1984 and 1985 budgetary position is concerned, we have a strong interest in reducing the overall calls on the Community's resources in order to make more room for our refunds. The amount involved (some 250 million ecus) is substantial in this context.

7. On the first of these, however, it must be open to considerable doubt whether we would make any further headway than we did last time. We should nevertheless try for it, and we may indeed be able to run the argument that the subsidies should be available to all less prosperous member states whether or not they are members of the ERM - those who are not are, afterall, attempting to put their economies into a position in which they can join the ERM, and interest subsidies could help this process.

8. The second reason for our strong interest is not something we would probably wish to state too publicly as a justification for implacable opposition to renewal of the interest subsidy regulation. But consideration of this point is likely to colour our attitude.

9. There is no need for the Chancellor to intervene on this subject on Monday. It is quite sufficient at this stage to listen to the Commission's presentation and the response (if any) of other member states, before remitting the subject for further preparation at the official level.

Line to take (if necessary)

10. Clearly need to decide on this fairly quickly since it bears on the establishment of the 1984 draft budget next month. Support idea of urgent consideration by COREPER and the Monetary Committee, who could be asked to report to the Council next month.
[If others comment on the difficult budgetary situation]
We certainly cannot ignore the budgetary implications of this proposal when coming to our decision.

The Danes have telephoned to tell us that they are opposed to the Commission's proposal. I suspect we will get support from the Germans & others too.

10/V.

OTHER BRIEFS (a)

10/6/83

COMMUNITY BUDGET PROBLEM

Line to take

1. Urgent need for agreement on interim solution so that necessary figures can be entered in 1984 draft budget as agreed at March European Council. Today's Foreign Affairs Council and Stuttgart Council will be crucial.

2. Only realistic basis for agreement is that set out by Mr Pym at Schloss Gymnich last month (copy attached). This was based on principles of 30 May 1980 agreement. Politically impossible for UK to accept anything less favourable than this.

3. "Overpayment": UK remains willing to make some further ex gratia restitution, even though no legal obligation, on top of the 213 mecus already repaid as part of the agreement for 1982 - in context of satisfactory overall agreement.

4. Duration: interim solution formula must cover whole period until lasting solution is in place.

5. UK could not accept linkage between interim solution and willingness to increase own resources. No such linkage in last year's agreement providing for the "subsequent solution".

6. Future financing and lasting solution: need progress here as well. Must agree at Stuttgart on framework and timetable. Framework must include lasting solution to imbalances problem and proper control of agricultural expenditure, with structural changes in individual regimes as necessary.

ANNEX A

ELEMENTS FOR THE INTERIM SOLUTION

1.	Reference figure:	2000 mecu (as mentioned by M. Noel at COREPER)
2.	Basic refund:	1320 mecu (net)
3.	Risk-sharing upwards and downwards:	Differences in either direction from reference figure: (a) First 10 mecu: no change in refund. (b) 10-60 mecu: refund increased or reduced by 50 per cent of difference in excess of 10 mecu. (c) Beyond 60 mecu: refund increased or reduced by 25 mecu plus 75 per cent of difference in excess of 60 mecu.
4.	'Overpayment':	Amount in full and final settlement to be agreed and deducted from basic refund over agreed period.
5.	Later years:	Firm intention to apply long term solution in respect of 1984. If not possible, similar arrangement to 1983.
6.	Method of payments:	Gross sums equivalent to figure in 2 above to be entered in 1984 budget either under supplementary measures or under special programmes of Community interest in the UK for eg energy, transport. Flexibility within categories during budgetary procedure, subject to maintaining the total decided. Sums due under 3 above to be treated in an analogous fashion.

OTHER BRIEFS (b)

10/6/83

FUTURE FINANCING OF COMMUNITY: THE CAP

Not essential to raise this question. But in any informal discussions with Messrs Tietmeyer (Germany), Ruding (NL) and Tugendhat (Commission) you might say that we will continue to press at Stuttgart and subsequently for a statutory limit on the rate of growth of CAP expenditure and for the necessary reviews in individual commodity regimes to make such a limit stick. (Mr Tugendhat now appears to favour such a limit.) You should encourage him to pursue this within the Commission; but the limit formula would have to be much tougher than the "maximum rate" for non-obligatory expenditure, to which he may refer.

PROVISION FOR CAP IN 1983 SUPPLEMENTARY AND 1984 MAIN BUDGETS

In any discussions with Tietmeyer and Ruding you should press for this support in seeking substantial economies in the CAP provision in these two Budgets to create more headroom. For 1984, if not 1983, such economies may need to anticipate future Commission proposals for substantive changes in the operation of individual commodity regimes.

FUTURE DIRECTION OF COMPUTING: THE CAD

INTEGRATION OF CAD IN THE DESIGN/BUILDING AND MAN-MADE ENVIRONMENT